

## Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 016785

65

ORIGIN L-03

INFO OCT-01 AF-06 EUR-12 NEA-10 ISO-00 AID-05 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

FTC-01 DODE-00 PM-04 H-02 NSC-05 PA-01 PRS-01 SS-15

STR-04 CEA-01 /108 R

DRAFTED BY L/NEA:BKHUFFMAN:DSC

APPROVED BY NEA:SSOBER

EB/CBA:GLAWSON

NEA/RA:DMORRISON

FED RESERVE:GHAWKE

----- 115484

P 230233Z JAN 76

FM SECSTATE WASHDC

TO AMEMBASSY ABU DHABI PRIORITY

AMEMBASSY ALGIERS PRIORITY

AMEMBASSY AMMAN PRIORITY

AMEMBASSY BEIRUT PRIORITY

AMEMBASSY CAIRO PRIORITY

AMEMBASSY DAMASCUS PRIORITY

AMEMBASSY DOHA PRIORITY

AMEMBASSY JIDDA PRIORITY

AMEMBASSY KHARTOUM PRIORITY

AMEMBASSY KUWAIT PRIORITY

AMEMBASSY MANAMA PRIORITY

AMEMBASSY MOGADISCIO PRIORITY

AMEMBASSY MUSCAT PRIORITY

AMEMBASSY NOUAKCHOTT PRIORITY

AMEMBASSY RABAT PRIORITY

AMEMBASSY SANA PRIORITY

AMEMBASSY TRIPOLI PRIORITY

AMEMBASSY TUNIS PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY TEL AVIV PRIORITY

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 016785

AMEMBASSY PARIS PRIORITY

LIMITED OFFICIAL USE STATE 016785

E.O. 11652: N/A

TAGS: ETRD, EFIN, PFOR

SUBJECT: FEDERAL RESERVE BOARD ACTS AGAINST ARAB BOYCOTT  
KUWAIT POUCH BAGHDAD  
REF: STATE 297811

1. FEDERAL RESERVE BOARD ISSUED LETTER DATED JANUARY 20 CLARIFYING ITS LETTER DATED DECEMBER 12, 1975 (REFTEL). SELF-EXPLANATORY TEXT OF NEW LETTER IS CONTAINED IN PARA 3 BELOW. BY PLACING BOARD'S CONCERNS WITHIN CONTEXT OF DEPT OF COMMERCE REGULATIONS (WHICH REFLECT CLEAR DISTINCTION BETWEEN MANDATORY AND HORTATORY PROVISIONS) WE HOPE JANUARY 20 LETTER WILL AVOID ANY PRECIPITOUS DISRUPTION OF COMMERCIAL RELATIONSHIPS. IF CONSIDERED USEFUL, POSTS AUTHORIZED BRING LETTER TO ATTENTION OF HOST GOVERNMENTS.

2. IN RELATED DEVELOPMENT, U.S. EXPORTER HAS REPORTED TO DEPTOFF AN APPARENT CHANGE IN EGYPTIAN L/C'S WHEREBY PREVIOUS CLAUSE THAT L/C COULD NOT BE TRANSFERRED TO BLACKLISTED FIRMS HAS BEEN REPLACED BY CLAUSE STATING L/C COULD NOT BE TRANSFERRED TO ANYONE WITHOUT PRIOR APPROVAL OF EGYPTIAN BANK. ALSO CLAUSE THAT GOODS WOULD NOT BE CARRIED ON BLACKLISTED VESSELS REPLACED BY CLAUSE THAT GOODS WOULD NOT BE CARRIED ON VESSEL UNDER ISRAELI FLAG OR WHICH CALLS AT ISRAELI PORTS. DEPT WOULD WELCOME ANY

LIGHT POSTS MIGHT SHED UPON THIS OR RELATED MODIFICATIONS OF L/C'S OR OTHER COMMERCIAL DOCUMENTS BY HOST GOVERNMENTS.

3. BEGIN TEXT OF JANUARY 20 FRB LETTER: THE FEDERAL RESERVE BANK OF NEW YORK HAS INFORMED THE BOARD THAT SEVERAL MEMBER BANKS IN THE SECOND DISTRICT HAVE REQUESTED CLARIFICATION OF THE BOARD'S LETTER OF DECEMBER 12, 1975,  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 016785

CONCERNING THE INVOLVEMENT OF BANKS IN FOREIGN BOYCOTT PRACTICES. SPECIFICALLY, THESE BANKS HAVE ASKED WHETHER IT WAS THE BOARD'S INTENTION TO IMPOSE LEGAL OBLIGATIONS UPON MEMBER BANKS WITH RESPECT TO BOYCOTT PRACTICES THAT DIFFER FROM THOSE ALREADY IMPOSED UPON BANKS BY THE DEPARTMENT OF COMMERCE REGULATIONS ISSUED UNDER THE EXPORT ADMINISTRATION ACT.

THE COMMERCE DEPARTMENT'S EXPORT ADMINISTRATION REGULATIONS (15 C.F.R. PART 369), AS AMENDED EFFECTIVE DECEMBER 1, 1975, DEAL IN TWO WAYS WITH THE SUBJECT OF RESTRICTIVE TRADE PRACTICES OR BOYCOTTS FOSTERED OR IMPOSED BY FOREIGN COUNTRIES AGAINST OTHER COUNTRIES FRIENDLY TO THE UNITED STATES. FIRST, THOSE REGULATIONS PROHIBIT EXPORTERS AND RELATED SERVICE ORGANIZATIONS, INCLUDING BANKS, FROM TAKING ANY ACTION THAT HAS THE EFFECT OF FURTHERING OR SUPPORTING SUCH A RESTRICTIVE TRADE PRACTICE WHERE THE PRACTICE MAY DISCRIMINATE AGAINST U.S. CITIZENS OR FIRMS ON THE BASIS OF RACE, COLOR, RELIGION, SEX OR NATIONAL ORIGIN. SECOND, EVEN WHERE THE RESTRICTIVE TRADE PRACTICE DOES NOT HAVE SUCH A DISCRIMINATORY EFFECT UPON U.S. CITIZENS OR FIRMS, THE COMMERCE DEPARTMENT REGULATIONS ENCOURAGE AND REQUEST EXPORTERS AND RELATED SERVICE ORGANIZATIONS, INCLUDING BANKS, TO REFUSE TO TAKE ANY ACTION THAT HAS THE EFFECT OF FURTHERING OR SUPPORTING SUCH A PRACTICE. IN EITHER CASE -- THAT IS, WHETHER THE RESTRICTIVE TRADE PRACTICE IS DISCRIMINATORY AGAINST U. S. CITIZENS OR IN FURTHERANCE OF AN ECONOMIC BOYCOTT AGAINST A COUNTRY FRIENDLY TO THE U.S. -- FIRMS THAT ARE REQUESTED TO TAKE ACTION THAT WOULD HAVE THE EFFECT OF FURTHERING OR SUPPORTING SUCH A RESTRICTIVE TRADE PRACTICE OR BOYCOTT ARE REQUIRED TO REPORT THE REQUEST TO THE OFFICE OF EXPORT ADMINISTRATION OF THE COMMERCE DEPARTMENT.

PRIMARY RESPONSIBILITY FOR IMPLEMENTING AND ENFORCING U.S. POLICY IN THIS AREA RESTS WITH THE DEPARTMENT OF COMMERCE. THE PURPOSE OF THE BOARD'S DECEMBER 12 STATEMENT WAS TO DIRECT THE ATTENTION OF MEMBER BANKS TO THIS POLICY, AS WELL AS TO THE POSSIBLE APPLICABILITY OF OTHER LAWS, INCLUDING FEDERAL ANTITRUST LAWS. IT WAS NOT INTENDED TO CREATE NEW LEGAL OBLIGATIONS FOR BANKS, BUT RATHER TO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 016785

ENSURE THAT THEY ARE FAMILIAR WITH THEIR EXISTING OBLIGATIONS UNDER THE EXPORT ADMINISTRATION REGULATIONS AND OTHER PERTINENT LAWS. THE COMMERCE REGULATIONS ARE BASED ON THE FOLLOWING DECLARATION IN THE EXPORT ADMINISTRATION ACT OF 1969: BEGIN INDENT: IT IS THE POLICY OF THE UNITED STATES (A) TO OPPOSE RESTRICTIVE TRADE PRACTICES OR BOYCOTTS FOSTERED OR IMPOSED BY FOREIGN COUNTRIES AGAINST OTHER COUNTRIES FRIENDLY TO THE UNITED STATES, AND (B) TO ENCOURAGE AND REQUEST DOMESTIC CONCERNS ENGAGED IN THE EXPORT OF ARTICLES, MATERIALS, SUPPLIES, OR INFORMATION, TO REFUSE TO TAKE ANY ACTION, INCLUDING THE FURNISHING OF INFORMATION OR THE SIGNING OF AGREEMENTS, WHICH HAS THE EFFECT OF FURTHERING OR SUPPORTING THE RESTRICTIVE TRADE PRACTICES OR BOYCOTTS FOSTERED OR IMPOSED BY ANY FOREIGN COUNTRY AGAINST ANOTHER COUNTRY

FRIENDLY TO THE UNITED STATES. END INDENT

THE BOARD EXPECTS THAT MEMBER BANKS WILL GIVE SERIOUS AND  
GOOD FAITH CONSIDERATION TO U.S. POLICY, AS JUST NOTED.  
THE BOARD ALSO EXPECTS THAT MEMBER BANKS WILL FULLY COMPLY  
WITH THOSE PORTIONS OF THE COMMERCE DEPARTMENT REGULATIONS  
THAT ARE MANDATORY. FURTHERMORE, THE BOARD FULLY SUPPORTS  
THE COMMERCE DEPARTMENT REGULATION THAT ENCOURAGES AND  
REQUESTS EXPORTERS AND THEIR BANKS NOT TO PARTICIPATE IN  
BOYCOTT PRACTICES. VERY TRULY YOURS, THEODORE E. ALLISON,  
SECRETARY.END TEXT. ROBINSON

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DOCUMENTS, GOVERNMENT REACTIONS, BOYCOTTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 JAN 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976STATE016785  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** BKHUFFMAN:DSC  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760025-0781  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760127/aaaaaxkj.tel  
**Line Count:** 180  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN L  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 297811  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 22 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <22 APR 2004 by BoyleJA>; APPROVED <13 MAY 2004 by morefirh>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FEDERAL RESERVE BOARD ACTS AGAINST ARAB BOYCOTT KUWAIT POUCH BAGHDAD  
**TAGS:** ETRD, EFIN, PFOR, US, XX, XF, FRB  
**To:** ABU DHABI MULTIPLE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006